

A meeting of the Federal Reserve Board with the Open Market Investment Committee was held in the office of the Federal Reserve Board on Monday, January 7, 1929 at 4:10 p.m.

PRESENT: Governor Young

Mr. Platt
 Mr. Hamlin
 Mr. James
 Mr. Cunningham
 Mr. Pole
 Mr. Eddy, Secretary
 Mr. McClelland, Asst. Secretary

PRESENT ALSO:

Messrs. Harrison, Harding, Norris, Fancher
 and McDougal, Members of the Open Market
 Investment Committee.

Governor Seay, Federal Reserve Bank of Richmond
 Governor Calkins, Federal Reserve Bank of
 San Francisco

Mr. Burgess, Acting Secretary, Open Market In-
 vestment Committee.

Mr. Goldenweiser, Director of the Division
 of Research and Statistics.

Mr. Harrison, Acting Chairman of the Open Market Investment Committee, presented a preliminary memorandum on business and credit conditions considered by the Committee. He stated that the Committee had no discussion regarding discount and buying rates believing these to be matters outside of the jurisdiction of the Committee, but that individual members of the Committee feel that the immediate object should be to make sure that the return flow of credit and currency is applied to a reduction of Federal Reserve earning assets so far as possible. He stated that the Committee reviewed the foreign situation and for the information of the Board discussed leading factors in that situation. He advised that the Committee feels that the System should be prepared to sell up to \$50,000,000 of securities, if necessary, during January or February, but that it has no recommendation at this time to make either for the sale or purchase of securities for System account. He stated that no

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written report was prepared by the Committee but he read to the Board the following excerpt which will be included in the Committee's minutes of its meeting:

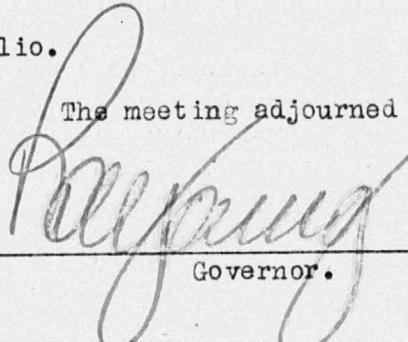
"In view of the recent continued tendency toward an increase in the volume of credit, it is the opinion of the Committee that the System should be prepared to sell up to \$50,000,000 of Government securities during January or February, if the amount of member bank indebtedness in principal cities should diminish to an amount where money rates become so easy as to stimulate further increases in the total volume of credit beyond that required for business purposes. The Committee, however, sees no occasion now to make a recommendation either as to the purchase or sale of government securities for System account.

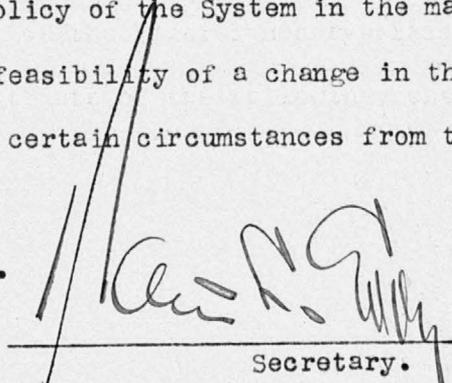
The Committee feels that it would be desirable to have some more definite definition of its functions. In the past the Committee has felt and has understood that the Board concurred in the view that it was a reasonable and proper division of authority and responsibility that it should recommend policies, that these policies should then be approved or disapproved by the Federal Reserve Board, and that the Committee should then have authority, within agreed limits, to take such action as may be appropriate to carry out the policies so approved. It is manifest that if the Committee were at liberty to both determine and execute policies, the Board would be without authority. If on the other hand the Committee cannot either determine or execute policies, it is without authority and would not seem to serve its most useful purpose."

During the discussion which ensued, Mr. Harrison stated that the recent increase in the buying rates of the Federal Reserve Bank of New York was not made in any effort to pave the way for an increase of discount rates which, he stated, the directors of the New York bank are hopeful will not be found necessary. The discussion touched upon, among other things, the policy of the System in the matter of purchasing and holding acceptances and the feasibility of a change in the policy under which sales of bills might be made in certain circumstances from the System portfolio.

The meeting adjourned at 5:15 p.m.

Approved:


Governor.


Secretary.